2017 RISK MAP:

RISKS ARE INCREASING AND THE MIX OF OPPORTUNITIES FOR ITALIAN EXPORTS IS CHANGING IN AN AGE OF NEW PROTECTIONISM AND INSTABILITY

- ***High debt levels, currency tensions, and geopolitical instability are the principal risk factors especially for emerging markets.***
- ***A few countries of Latin America, Africa and Asia are bucking the trend***
- ***The use of insurance and risk management instruments remains a competitive factor in an increasingly risky world, where there is no lack of important opportunities for companies.***

Rome, 7 February 2017 - SACE (CDP Group) has published the new edition of its Risk Map presenting a new scenario for exporters and investors abroad in the Focus on "2017 Risk Map": greater uncertainty in an era of each man for himself".

The picture painted by this year's map is one of a world divided, characterized by a strong rethinking of globalization and a resurgence of protectionist policies, as well as a growing dichotomy between advanced and emerging markets, particularly indicated by high debt levels, currency tensions, and geopolitical instability.

In this context, however, it is mandatory to maintain a rational approach and a strategic vision: exports and internationalization do not seem destined to shrink, but they must be based on more advanced instruments and find new directions for growth.

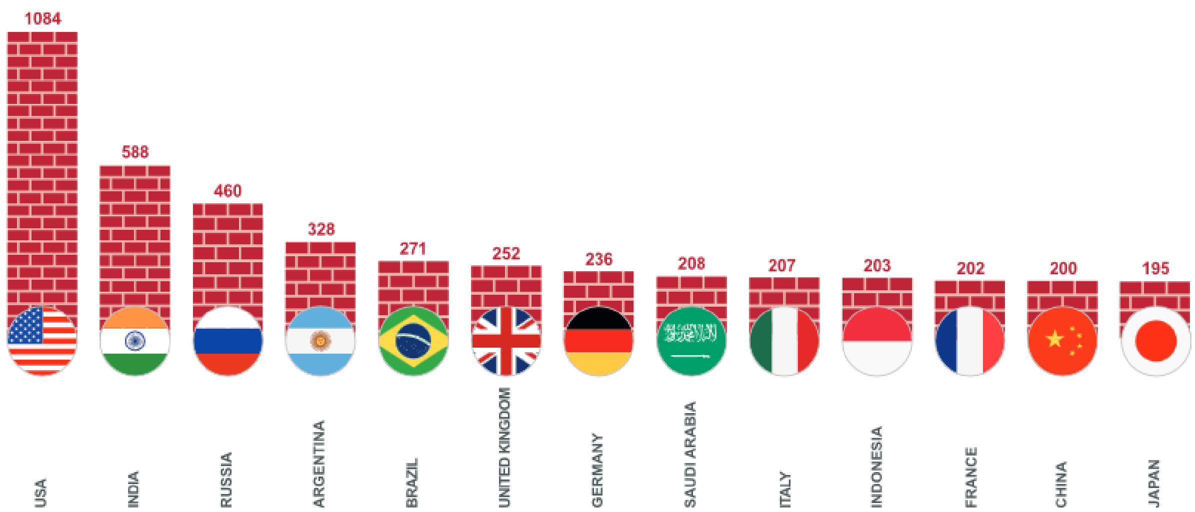
The new era of each man for himself: toward a more evolved approach to internationalization

"*Protagonism is again gaining prominence, and the outlook for this year is not rosy,* - **Beniamino Quintieri, Chairman of SACE, explains** -. *Experience teaches us, however, that in the medium-long term the effects of trade barriers tend to become a boomerang for the countries that introduce them, and this is even truer in a world where the global chains of value represent a decisive factor for competitiveness, due to the growing importance of semi-processed exports. Growth abroad is still possible, but a leap of quality in knowledge and risk insurance is required*."

2016 marked a peak in protectionist measures adopted by various countries around the globe: since the outbreak of the global financial crisis, the high barriers have risen to over 3,500; almost a fourth of these carry an obligation to have a certain percentage of a product or service produced in-country, especially for electronic products and vehicles. These measures have been chosen particularly by the G20 countries, beginning with the United States - no. 3 customer for Italian exports - which has introduced a protectionist measure every four days.

The ten sectors most affected by protectionism account for almost 41% of world trade, which immediately suffered an inevitable decline: from 2008 to 2016 it grew at an average annual rate of 2.9%, well below the 7.3% registered in the previous period (2000-2007).

Leading countries in protectionist measures adopted since 2008



*Figures at end November 2016, number of protectionist measures. Source: Global Trade Alert Database

Observing the trend of risk by geographical area, the overall picture presented by the SACE map shows many shadows and a few rays of light: not surprisingly, risk has increased in the Middle East and North Africa, Latin America, and in Sub-Saharan Africa, but risk levels have improved in the advanced countries and remain stable in the Community of Independent States (driven by Russian stabilization) and Asia (good performance, with some *caveat,* in dissimilar markets such as South Korea, Pakistan and Myanmar).

Area	Average credit risk SACE 2017	Change (vs 2016)
Sub-Saharan Africa	76	+2
Asia	69	0
CIS	67	0
Latin America	63	+1
Middle East and North Africa	62	+2
Advanced markets	29	-1

While many markets are inclined to adopt measures limiting world trade, there are other areas bucking the trend. They could become ecosystems to explore: the Andean countries (Colombia, Peru, Chile) and the Sub-Saharan and Asian countries accounted for over € 27 million in Italian exports in 2015, more than twice those to China and India combined.

2017 risk trends: the factors being monitored

The SACE study shows three trends that will influence global risks and opportunities in 2017.

Increased debt. Global indebtedness, which came to represent 325% of world GDP in 2016, will continue to be one of the most worrying risk trends this year. This factor is driven primarily by the public component in the advanced markets and by the private component in several emerging countries such as Brazil, Mexico, India, Egypt,Turkey, Mozambique, Nigeria and Angola, resulting in particularly high levels of risk for banking counterparties. China is a case apart: there the imposing private debt and that of local government and state-owned companies reached 240% of GDP.

Where banking risk is rising: the countries with the riskiest bank counterparties

Country	Default index of banking counterparties in 2017	Change (vs 2016)	Average credit risk SACE 2017
1. Mozambique	91	+22	91
2. Nigeria	90	+10	82
3. Brazil	61	+7	60
4. Angola	83	+6	81
5. Turkey	63	+4	60

Currency tension. The increased risk in emerging markets has resulted in a significant outflow of capital, with a consequent restrictions on currency reserves and the credit and capital markets. Several emerging countries have adopted containment measures that resulted in increased risk of currency non-transfer for foreign businesses: a few exporters of commodities (such as Nigeria, Mongolia, and Tajikistan) have restricted the access of local businesses to strong currencies. Other countries (such as Angola, Greece, and Ukraine), because of a persistent lack of strong currencies, have introduced or tightened restrictive measures on payments in dollars. Positive trends can be found, however, in markets like India, but also Iran, Argentina, Ghana and Tunisia, which despite significant current risk profiles have greatly improved with respect to 2016 regarding transfer and convertibility risks. Here, again, China is a unique case: though maintaining rather low risk levels, following the 7% loss of the renminbi against the dollar in 2016, it has begun instituting mechanisms to halt the decline in the currency and the loss of currency reserves, which have dropped from 4 trillion to 3 trillion in two years.

Where currency tensions are rising... or declining

Country	Index of capital transfer and convertibility 2017	Change (vs 2016)	Average political SACE 2017
1. Mozambique	91	+22	72
2. Angola	91	+20	77
3. Cuba	97	+15	72
4. Egypt	95	+13	78
5. Oman	37	+11	39
1. Iran	61	-39	66
2. Argentina	74	-13	69
3. Ghana	64	-7	51
4. Tunisia	60	-5	59
5. India	37	-5	46

Geopolitical instability. After a year marked by extraordinary events, strong discontinuity, and rising violence at the global level, 2017 has also begun in a climate of uncertainty and volatility, with several new factors that will further impact the year just begun: the election of Trump, his trade policy positions and the countermeasures of his partners; the start of Brexit and lingering uncertainty in Europe, especially, the burgeoning of political conflict in high-risk areas. This context of instability, apart from the countries already known for the harshness of current violence (particularly the Middle East and Africa), has caused many countries to suffer a rapid decline in their reference contexts.

Where political instability is rising: besides Africa and the Middle East, the countries that are worsening

Country	Index of risk of war and civil disorder 2017	Change (vs 2016)	Average political risk SACE 2017
1. Armenia	59	+10	63
2. Brazil	55	+5	51
3. Bolivia	56	+4	64
4. Venezuela	94	+3	95
5. Angola	60	+3	77

Exporting and investing in a riskier world: the opportunity mix is changing

2017 has therefore begun with new challenges that require a recalibration of foreign development strategies for those who export and invest abroad.

On the one hand, the markets with the greatest potential for Italian exports and investments will continue to be so in the medium/long-range future. Despite the current rise in risk profiles, this applies to Brazil, Turkey and great number of emerging partners with high opportunity indices that must be approached with more advanced strategies, including the systematic use of insurance-financial instruments to protect and support business, such as those provided by SACE and SIMEST, united to form the Italian export and internationalization hub.

On the other hand, there are many areas bucking the general trend that may be an initial frontier for new exporters, as well as areas of consolidation for companies already present in riskier areas: besides the advanced markets, there are examples like the Andean countries (Colombia, Peru, Chile), a few more integrated markets in the Sub-Saharan area (from East to West Africa), and Asian markets with strong global trade policies such as South Korea.

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